

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
2003 INTEGRATED GAS RESOURCE PLAN
Docket No. D.T.E. 03-52**

**COMPANY'S RESPONSES TO THE DEPARTMENT'S
FIRST SET OF INFORMATION REQUESTS**

- DTE-1-60 (a) Has the Company used any risk management tools in the past five years to reduce gas commodity prices? If yes, how successful were they? Please provide evidence in support of your answer.
- (b) If the answer to (a) is no, please explain why, highlighting any problems and/or difficulties in the use of risk management tools.
- (c) Does the Company plan to use any risk management tools in the next five years to reduce gas commodity prices? If yes, please explain the Company's choice of risk management tools. If no, please explain why.

Company Response:

The Company has used traditional risk management tools to reduce gas commodity volatility. The result may or may not reduce prices depending on whether the market prices subsequently increased or decreased. Risk management tools should be considered a form of insurance, which in a given instance may reduce costs, but over a long term would increase costs as the counterparty provider is seeking to recover both its costs and a profit.

The Company has used summer gas storage injections and propane storage purchases to lock in the cost of about 400,000Dth of winter gas supply prior to the start of the winter season. It has also periodically locked in the price of some pipeline gas supplies by committing to take the locked in gas. The demand charges associated with firm gas supplies, whether for pipeline gas, propane or LNG can be considered part of the Company's risk management, because the suppliers commit to provided the supply under those firm contract in accordance with the contract terms, thus they have a legal obligation to provide the supplies nominated by the Company.

We anticipate using these traditional risk management tools during the next five years, subject to possible changes in the Department's regulations which may come about pursuant to their mid-term review of the retail choice programs.

DTE 1-60 (continued)

The Company has not used and does not anticipate using financial risk management tools based on the guidance provided in the Department's orders in DTE 01-100 A and DTE 01-81. The likely limited interest in an elective opt-in program in the Company's service area would not likely justify the cost and time required for the Company to implement such a program. FG&E believes this function can better be performed in a more cost effective way by competitive retail providers.

Person Responsible: David K. Foote